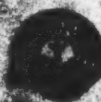
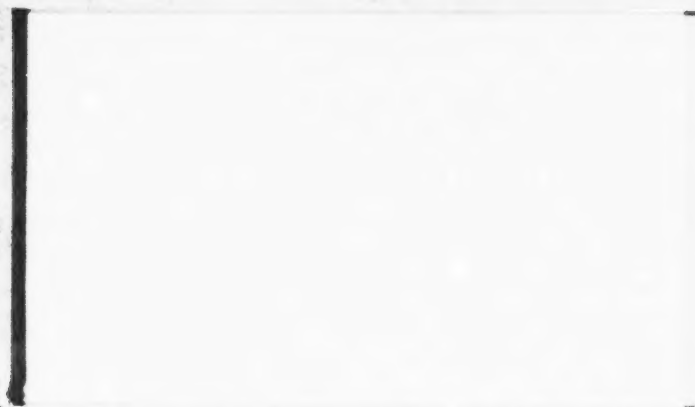




SOCIAL PLANNING
COUNCIL
OF
METROPOLITAN
TORONTO

185 Bloor Street East
Toronto / Ontario / Canada
M4W 3J3
Tel. (416) 961-9831



A participant in
the United Way

STRATEGIES FOR IMPLEMENTING
A NEW HOUSING AGENDA
FOR METROPOLITAN TORONTO

A Response to the
Federal Government's
Consultation Paper on Housing

by the
Social Planning Council
of Metropolitan Toronto

March 1985

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Social Planning Council
of Metropolitan Toronto
185 Bloor Street East
Toronto, Ontario, M4W 3J3
tel: (416) 961-9831

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PREFACE

The Social Planning Council published the report, A New Housing Agenda for Metropolitan Toronto, in March 1984. Based on our analysis of a survey of housing need in Metropolitan Toronto carried out in the fall of 1982 by the Metropolitan Planning Department, that report contains recommendations for meeting current and projected future need over a 15 year period. The report, however, stopped short of specifying a comprehensive program for satisfying the current and future need for assisted housing. Specifying such a program is one of the purposes of the present document.

The second purpose is to respond to the Consultation Paper on Housing, published by the federal government on January 30, 1985. The consultation paper puts forth a number of options for future housing policies and programs. If the federal government were to pursue some of those alternatives, it would be difficult to implement the program or fulfill the recommendations of the Social Planning Council.

It is far beyond the means of local and regional government to satisfy the need for housing assistance in Metropolitan Toronto. At the same time, it is essential that federal and provincial governments have in place a set of

programs and policies that will satisfy the need for housing assistance, that is responsive to local housing market conditions and to the needs of the households living in that local area. Thus, this paper specifies the programs and policies required of the two senior levels of government to meet the need for housing assistance in Metropolitan Toronto. In doing so we comment on many of the options presented in the recent federal government's consultation paper.

The preparation of our strategies for implementing A New Housing Agenda for Metropolitan Toronto has been undertaken with the assistance of the program committee, including the Rev. John E. Burke, the Rev. Stuart Coles, Mr. Jack McCreadie, and Ms. Jean Woodsworth, all members of the Social Planning Council Board of Directors, and Professor Richard Harris of the University of Toronto.

In addition, we sought assistance in preparing this report from a number of experts in the community. The Social Planning Council and its staff felt that consultation with a number of professionals and experts was required to make the opinions and programs expressed herein as informed and realistic as possible. The following individuals agreed to participate in this consultation: Gay Alexander, Lantana Non-Profit Homes, Bill Bosworth, Homes First Society; Judy Goldie, Labour Council Development Foundation; Rod Manchee, Social Planning Council of

Ottawa-Carleton; Terry McCullum, Anglican Houses; Jim O'Keefe, Interfaith Housing; Don Richmond, Deputy Commissioner, Metropolitan Toronto Community Services and Housing; Chris Smith, Chris Smith and Associates; and Keith Ward, City of Toronto Housing Department. We are grateful for their contribution of time and effort and for their assistance.

This report was prepared by Jeffrey Patterson and David Thornley of the Social Planning Council staff.

The Rev. John E. Burke
Chairman



SUMMARY OF RECOMMENDATIONS

The following recommendations represent the response of the Social Planning Council to the federal government's Consultation Paper on Housing. They also contain a strategy for implementing the recommendations contained in the 1984 report, A New Housing Agenda for Metropolitan Toronto.

Conclusions and Recommendations

1. The Social Planning Council of Metropolitan Toronto unequivocally supports the continued provision of non-profit housing as the major program vehicle for meeting the need for housing assistance in Metropolitan Toronto and as part of a program to meet the need for moderately-priced rental housing in Metropolitan Toronto. This program meets social criteria acceptable to this Council, and the program has proven to be the only dependable vehicle for supplying moderately-priced rental housing on a long-term basis.
2. We urge the Canada Mortgage & Housing Corporation and the federal government to continue to explore alternative financing arrangements for non-profit housing that will reduce the per unit cost of the program. Alternative solutions could include separating market assistance subsidies to reduce rents to levels affordable by moderate income tenants from deeper subsidies for low-income tenants under existing rent-geared-to-income programs, in which case sub-

sidy costs are shared on a 50-50 basis between the federal and provincial governments, Price Level Adjusted Mortgages (PLAMS), as well as debenture-backed mortgages for housing developed by municipal corporations. In addition, a re-orientation of the programs toward rehabilitation and the acquisition of existing units shows promise of substantial cost savings. Used in combination, these alternatives could potentially reduce the long-term cost of providing non-profit housing by at least 30 per cent.*

3. We urge the Canada Mortgage & Housing Corporation to revise its guidelines for eligibility for rent-geared-to-income assistance to make non-elderly single persons eligible for assistance. The survey of need for housing assistance carried out by the Metropolitan Planning Department in 1982 found that 40 per cent of the households in need were single persons under age 65. We of course have also urged the Ontario government, which shares the costs of these programs, to make similar revisions in its rules and regulations.
4. The Social Planning Council of Metropolitan Toronto does not support any of the limited shelter allowance proposals currently being considered by the federal government. Given the limited nature of these proposals we feel that existing social assistance programs, the costs of which are shared by

*The potential cost savings are discussed in greater detail in pages 13 and 14 of this submission.

federal and provincial governments under the Canada Assistance Plan, and income supplementation programs for the elderly can accommodate assistance of the magnitude being proposed.

5. We urge the federal government to maintain in place programs and program funding levels that will satisfy the needs of Metropolitan Toronto. Recommendations outlining these needs made by the Social Planning Council to the Council of Metropolitan Toronto in 1984 are summarized below.

Recommendations to Council of Metropolitan Toronto

- A) That the two senior levels of government authorize the production of 4,500 rent-geared-to-income units annually, 1,200 for seniors and 3,300 for non-seniors for a period of 15 years. While this is considerably more than the average of 1,000 per year in the 1980 - 1983 period, it is nevertheless not significantly more than the over 3,000 units per year that were produced in the 1964 - 1974 decade;
- B) That the Council of Metropolitan Toronto prescribe an assisted housing target of 4,500 units per year for the next fifteen (15) years, with 1,200 units for seniors and 3,300 units for non-seniors. Meeting this target will require much greater use of currently developed

sites and existing housing than has been the case in the past;

C) That assisted housing targets for the six individual area municipalities be established in proportion to the preferences expressed in the survey of housing need. The City of Toronto was the preferred choice of 41 per cent of respondents, followed by North York at 22 per cent, Scarborough and Etobicoke with 15 per cent each, East York with 5 per cent and York 3 per cent;

D) That the C.M.H.C. and the Ontario Ministry of Municipal Affairs and Housing be requested to increase the effectiveness of the existing social housing programs, specifically, the municipal non-profit, private non-profit and co-operative housing programs by the following modifications:

(i) relax the current restriction of 25 per cent R.G.I. units in the family buildings to permit up to 50 per cent of units in municipal non-profit buildings, and in co-operative and private non-profit projects using O.C.H.A.P. assistance, to be rented to tenants on a rent-geared-to-income basis;*

*It is anticipated that the ratio would vary between 25 and 50 per cent depending on the size of the project, the household mix and the location involved.

- (ii) revise the current method of determining low end of market rent to ensure that non-profit and co-operative housing remains affordable to moderate income households and that rental increases are based on increases in operating costs;
 - (iii) permit non-profit and co-operative housing organizations as a matter of policy to develop projects through acquisition and renovation;
 - (iv) encourage the provision of a minimum of 50 per cent R.G.I. units in senior private non-profit and co-operative projects, and consider increasing the permitted level of subsidized units above that proportion;
 - (v) separate the rent reduction assistance targetted to moderate income households, the subsidy required during the first few years of a project's life to bridge the gap between economic and market rents, from the rent-geared-to-income assistance targetted to low-income households;
- E) That the provincial and municipal governments establish a new program of grants and/or non-interest bearing loans to assist in the rehabilitation of inadequate rental dwellings, given that over 35,000 households in Metropolitan Toronto were determined to

be in need of housing assistance solely as a result of the inadequate condition of their dwelling;

- F) That the Metropolitan Planning Department, together with the local area municipalities, review the opportunities for providing additional small rental units in existing housing and changes in zoning and planning by-laws that would be required to realize those opportunities, given that nearly 25,000 non-senior singles and couples without children are in need of housing assistance;
- G) That 11,500 (750 per year) of the overall assisted housing target be designated for providing permanent, long-term housing for homeless and low-income single persons; and
- H) That the shelter allowance associated with provincial and municipal social assistance payments be increased to a level that will enable households in receipt of social assistance to have the choice of living in dwellings available on the private market or in housing owned by public, non-profit and co-operative organizations.*

*Approximately 10,000 households whose primary source of income is social assistance live in dwellings in the private rental market, and require additional housing assistance.

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Introduction

All three levels of government are currently re-examining their role in ensuring that low and moderate income households have access to suitable, affordable housing. The federal government continues to evaluate the effectiveness of its social housing programs. The province of Ontario is in the midst of a lengthy assessment of the role of rent review in relation to matters pertaining to housing supply, affordability and return on investment. In Metropolitan Toronto, several recent initiatives have been undertaken to increase the housing opportunities available to both low-income families and single persons, including the recent formation of the Singles Housing Corporation.

This report attempts to put forward a strategy to meet the assisted housing targets and program contained in the Social Planning Council's report, A New Housing Agenda for Metropolitan Toronto (March, 1984). Proposals concerning amendments to the federal and provincial non-profit and co-operative housing programs, as well as any new initiatives which might be considered by either senior level of government, will be put forward in the context of responding to the housing problems being faced by Canada's most populous urban municipality.

The Metropolitan Toronto Assisted Housing Study published in April 1983 by the Metropolitan Planning Department concluded that 75,000 tenant households were in need of housing assistance. The New Housing Agenda report, on the basis of some methodological refinements to the data generated by the Metro

Planning Department survey, identified 95,000 tenant households as being in need of assistance.

In spite of the introduction of rent review legislation, rental accommodation is actually less affordable today than it was a decade ago. Canada Mortgage and Housing Corporation's 1974 Survey of Housing Units showed that 23.1 per cent of Metropolitan Toronto's tenant households paid more than 30 per cent of their income for rent. This proportion increased to 28.3 per cent in the 1981 Census. The incidence of low-income among tenant households has significantly increased during the last fifteen years.* Demographic trends indicate that the average income of tenants may continue to increase at a slower pace than for the community as a whole.** The need for housing assistance for renters in Metropolitan Toronto therefore continues to grow.

The federal government has responded to the need for market assistance for rental housing with a variety of programs for both the private and non-profit sectors. From 1976 to 1984 the federal government spent directly, or indirectly through tax subsidies, over \$2.9 billion assisting private rental production. Most housing analysts have concluded that the various private rental construction stimulation programs implemented since 1974, including MURBs (Multiple Unit Residential Buildings), ARP

*Clayton Research Associates Limited, Rental Housing in Canada Under Rent Control and Decontrol Scenarios, 1985 - 1991, Appendix Volume (Toronto: Canadian Home Builders' Association, 1984).

**Ibid.

(Assisted Rental Program) and CRSP (Canadian Rental Supply Program), were extremely expensive and generally failed to produce affordable units.* On the other hand, in tight, high cost rental markets like Toronto and Vancouver, the construction of new rental housing is simply not viable economically without government subsidies of large magnitude.

The Social Planning Council's 1984 New Housing Agenda report therefore concludes that additional units of low and moderate income housing should be created through a mixed income approach similar to that embodied by the non-profit and co-operative housing programs. These programs accounted for about three-quarters of all the rental units built in Metropolitan Toronto during the five year period from 1979 through 1983. A comprehensive program to meet the need for housing assistance in Metropolitan Toronto is specified in Appendix 'A'.

The Section 56.1 Non-Profit Program: Proposals for Change

There is general agreement among housing analysts and non-profit housing producers that changes need to be made to improve the effectiveness of the existing non-profit programs in meeting the housing needs of low and moderate income tenants. We have grouped suggestions for change under four broad headings: program goals; targetting; funding; and administration/co-ordination.

*Clayton Research Associates Limited, A Long-Term Rental Housing Strategy for Canada. (Toronto: Canadian Home Builders' Association, 1984).

Program Goals

The program should ensure the provision of a stock of affordable rental housing, suitable to the needs of both low and moderate income tenants. Further, the program should house tenants with incomes along a continuum from low to moderate income, avoiding the increasing polarization of incomes generated under the present program. Social housing should be provided on a non-profit basis. Non-profit housing producers should not be placed in competition with the private sector. Private developers will continue to provide the bulk of the accommodation for those renting households which can afford full market rents, although in Metro Toronto it is probably unrealistic to expect the private sector to supply new rental housing for anything below the upper 25 per cent of renting households. The only key difference in goals among non-profit producers is the co-operative sector's commitment to the creation of resident-controlled and managed projects.

Targetting

There is general agreement that the program should be targetted toward low and moderate-income renters which would have difficulty affording private market rents for new construction. There should be a clear progressive distribution of benefits within projects. Further, there is a need to broaden the number of households eligible to receive some rent subsidy. Many non-profit producers favour an income mix for family projects with between 25 and 40 per cent receiving deep income subsidies,

while up to 75 per cent in total may receive some subsidy dollars. At least one quarter of the units would be rented out to households which could afford lower end of market rents.

Proposals have been put forward regarding the desirability of setting upper income limits on those eligible for units built under the non-profit programs. Such limits would, of necessity, be linked to alternative suggestions concerning the setting of low-end of market rents and their annual adjustment based on changes in actual operating costs. Municipal non-profit producers are especially sensitive to the political implications of non-profit housing serving any but low or moderate income tenants. Co-operative producers have difficulty with the concept of fixed income limits, but support the principle that higher income tenants should pay market rents. The issue of income thresholds generally is discussed in more detail under a later section.

Funding

The funding issues are perhaps the most complex and varied. A wide range of proposals have surfaced in the last few years, among them: 1) budgeting and reporting on a portfolio basis for municipal non-profits; 2) incentives to control operating costs; 3) the need for a three to five year planning horizon; 4) the desirability of separating market assistance subsidies from the income-tested subsidy pool for rent-geared-to-income tenants; 5) the use of bond or debenture financing to

allow for a mortgage rate reduction of one per cent or more; and, 6) the contribution of land and servicing by municipalities to reduce the capital cost of projects to senior governments.

A major difference between the non-profit producers regarding funding is the co-operative sector's desire to retain unilateral federal funding so that projects need not be dependent for their viability on provincial contributions. While the reasons for this position are clear, this position may be difficult to ultimately defend. That the federal and provincial governments should share subsidy costs is now a long-established principle in housing. One option, especially if a revised program were to separate market assistance from subsidies for low income tenants, would be to have the federal government absorb the cost of the market assistance, as it does when it assists private developers either directly or through the tax expenditure system, and have the two senior levels jointly share the cost of rent-geared-to-income assistance to low income tenants.

Administration/Co-ordination

There is general concern among non-profit producers that the existing programs are not well understood. The program must be easily explained to politicians, producers, the media and the public generally. It should have flexibility to: 1) work for new construction, rehabilitation and conversion projects; 2) permit various social mixes and serve both family and non-family households; 3) be capable of being delivered and operated by non-

profit administration; and 4) permit combined delivery or greater co-ordination of housing and support services in meeting the needs of special sub-groups served by non-profit providers.

The municipal non-profit sector generally supports a portfolio approach to management, thereby enhancing flexibility and co-ordination in terms of unit mix and distribution. Co-operative and private non-profit producers believe that funding should be directed toward individual projects, each of which would be responsible for decisions regarding income mix, special needs groups, and project administration. In addition, the co-operative sector favours the sharing of subsidy pool dollars among several projects.

Meeting the Need For Assisted Housing in Metropolitan Toronto:

Recent Initiatives and Policy Intentions

One of the guiding principles set forth in the introduction to this report is that programs of the two senior levels of government need to meet the requirements of the Toronto housing market and the need for assistance in Metropolitan Toronto. A Summary of these needs is included below.

Recent reports by the Metropolitan Toronto Planning Department, Metropolitan Council's Task Force on Housing for Low-Income Single Persons, and the Metropolitan Toronto Housing Company Ltd. summarize the housing policy initiatives of the Municipality of Metropolitan Toronto. Key elements include:

- i) establishment of a Metro Toronto Singles Housing Company:
 - \$10 million capital budget over the next 5 years;
 - construction of 500 units in year one (5,000 units over the next 5 years); and
 - provision of a supportive housing component with head leases to social service organizations (100 units in year one);

- ii) full portfolio of seniors housing within Metro to be managed by M.T.H.C.:
 - financing through municipal debentures with CMHC mortgage insurance; and
 - operating subsidies to be financed equally by the federal and provincial governments under 44(1)(a) of the National Housing Act;

- iii) family housing should be focussed exclusively on those with incomes below the median.
 - greater reliance on direct acquisition and renovation in providing new units.

In addition, the City of Toronto Housing Review,* as well as recent decisions concerning joint ventures between Cityhome and private developers to provide social housing units, indicate the possibility of a broader municipal role in funding social housing, including:

- i) a re-structuring of program financing, with:
 - municipal equity contribution in the form of building sites; and

*City of Toronto, City of Toronto Housing Review (Toronto: Comay Planning Consultants Ltd., 1984).

- senior governments to provide assistance in the form of one-time front-end capital grants to overcome negative cash flow during the first few years;
- ii) subsidy structure to be broadened to include both low and moderate income households;
- deep subsidies for about one-third;
 - shallow subsidies for about one-third;
 - market rents for about one-third; and
- iii) program employing an entrepreneurial operating style;
- to exploit suitable opportunities for joint ventures with private interests;
 - to maximize the asset value and borrowing potential of the City's housing stock; and
 - to permit direct acquisition of suitable existing buildings which serve program needs.

The Question of Income Ceilings

There is widespread agreement among non-profit producers that income-mixing should be strengthened and retained, and the Social Planning Council fully endorses this program objective. Concerns have been expressed that existing program conditions and funding arrangements are tending to polarize tenant income ranges rather than allowing for a continuum of incomes.

In addition, a recent proposal from Metro Council's Economic Development and Planning Committee seeks to set an upper-income limit on households which would be eligible to live

in municipal non-profit projects. While the Social Planning Council does not oppose the imposition of such a ceiling, as long as there is no attempt to impose it on non-municipal, non-profit sponsors, there is some concern that a single threshold guideline will not work. At the very least, such a policy must be sensitive to household size. For instance, the median income for all renter households in Metropolitan Toronto is nearly 30 per cent below the median for four person households, and only about 15 per cent above Statistics Canada's low-income cut-off line (poverty line) for four person households. Appendix 'B' to this report provides income distribution data that might be useful for establishing policies in Metropolitan Toronto.

Housing Those With Special Needs

Historically, the vast majority of private non-profit housing projects in Metropolitan Toronto have been targetted toward the elderly. More recently, churches and other sponsoring agencies have identified a broad spectrum of target groups as being appropriate recipients of the subsidized units available under the private non-profit program. Identified target groups include the frail elderly, the physically disabled, the homeless, the chronically unemployed, the developmentally handicapped, young singles and former psychiatric patients.

With the present preoccupation of senior levels of government to ensure that social housing dollars are even more effectively targetted to "the neediest of the needy" there is an

obvious temptation to shift the emphasis in funding social housing towards those with special needs. There is a danger that this would encourage approaches which seek to congregate those with special needs into particular projects thereby creating mini-institutions which turn housing projects into clinical settings.

Such ghettoization potentially limits flexibility, freedom of choice, and often minimizes the opportunities for mutual support and residents' control over their living environment. It runs counter to the broad trend toward de-institutionalization and continuing efforts to facilitate all special needs groups living independently in the community. More and more, the approach favoured by sponsoring agencies is person-centred, rather than facility-centred, with necessary community supports provided as required in relation to the specific needs of each recipient.

The goal in housing those with special needs is to create as normal a residential setting as possible, and to enable them to become integrated with their surrounding neighbourhoods. The future of special needs housing lies in making a percentage of the units in general purpose non-profit projects available to specific target groups with head-lease or other appropriate arrangements to ensure the provision of necessary community support services.

Approximately 40 per cent of households in need of housing assistance in Metropolitan Toronto do not normally qualify for housing assistance under federal and provincial regulations and guidelines, either because their households do not include children or because the people are under age 60. About 3,500 of these households comprise the homeless of Metropolitan Toronto.

It is imperative that federal and provincial guidelines and regulations be revised to include these households, and/or that other kinds of assistance be devised to serve their needs. In particular, it must be recognized that the property management function as it relates to housing those with special needs has a social management aspect to it. This in turn requires additional funding the responsibility for which rests primarily with the provincial government.

Improving the Targetting and Cost-Effectiveness of Section 56.1
of the National Housing Act

Both the municipal non-profit and co-operative housing producers have put forward a series of specific suggestions designed to improve the cost-effectiveness of the existing non-profit programs. The general thrust of these proposals is entirely consistent with our own views, and is summarized briefly below.

The present method of determining low-end of market rents produces rent levels which are beyond the reach of most moderate income tenants with income between \$20,000 - \$30,000. On the other hand, many of these households are ineligible for rent-geared-to-income assistance. Proposals 1 and 2 would accomplish the dual purpose of making the housing produced under the non-profit program more affordable, while ensuring that a broader range of households requiring assistance are able to receive it.

- 1) the process of establishing low-end of market rents should take into account the total private market, including rent-controlled and non-controlled units, in order to support the attainment of an income mix amongst the tenants;
- 2) the subsidy structure should be broadened to include both deep subsidies to low income households and shallow subsidies to moderate income households;

In the Toronto housing market, the rehabilitation or direct acquisition of rental units on the private market can be undertaken for between \$30,000 and \$40,000/unit, which is only 50 to 60 per cent of the cost of building a comparable new unit. The available evidence indicates that direct government financing could save about 15 per cent, while the use of PLAMs in conjunction with bond financing could save substantially more. Front end capital grants can reduce subsidy requirements over the life of the project by about 25 per cent.

- 3) the program should permit a greater reliance on direct acquisition/rehabilitation of the existing stock where cost effectiveness can be demonstrated;

- 4) alternative financing instruments should be considered, including a return to direct lending by CMHC rather than private financing, or the use of new mortgage instruments such as Price Level Adjusted Mortgages (PLAM) to reduce payments in the early years of a mortgage; and
- 5) the federal government might also consider front-end capital grants, or mortgage backed securities indexed to inflation as part of a strategy to reduce program costs.

We urge the federal government to consider seriously implementing all or some of the above suggestions to increase the efficiency and effectiveness of the non-profit housing program. It is our view that implementation of a combination of the above suggestions could effectively reduce the cost of providing housing assistance through non-profit housing companies and co-operative housing societies by as much as a third over the current program parameters. A further shift of housing assistance costs from the federal to the provincial level of government could reduce federal costs even further, although this shift would, of course, not further reduce total program costs.

Other Options for the Federal Government

The Social Planning Council is of the opinion that it is absolutely essential that the federal government continue to be actively involved in housing supply programs. In Metropolitan Toronto in any event private developers are not currently producing rental housing that is affordable by moderate

We are of the opinion that rent deregulation would only further exacerbate affordability problems at this point in time. Some private sector estimates indicate that prevailing market rents for market units would need to increase by at least 25 per cent (in real terms) to enable private developers to contribute significantly to increasing the supply of rental housing in larger urban centres like Metropolitan Toronto.* There is agreement that the large gap between prevailing market rents and rents which would allow developers to operate new rental projects on a full cost recovery basis, even considering that the normal tax benefits associated with new rental construction often reduce the initial rents that need to be charged by as much as 20 per cent, operates as a major constraint on private sector investment in rental construction.

At the same time we feel that supply programs providing further subsidies to private developers are almost totally ineffective in satisfying any of the needs of those requiring housing assistance. In Toronto there are too many instances of buildings designed to house low and moderate income families being converted to other uses after very little time on the market. Further, government, at least in the case of Ontario, has shown an unwillingness to take full advantage of the opportunity to lease units for low-income tenants in buildings built by private developers under either the ORCL or CRSP programs due

*Clayton Research Associates, Rental Housing In Canada Under Rent Control and Decontrol Scenarios: 1985 - 1991 (1984).

to the large differential between geared-to-income and market rents in those projects.

Numerous data support these assertions. In the decade from 1974 through 1983 the federal government spent \$941,600,000 on subsidies for co-operative and non-profit housing. Benefits from this expenditure include the housing of as many as 50,000 tenant households of low income on a rent-geared-to-income basis and the housing of from 100,000 to 150,000 moderate income tenant households who could not have otherwise been able to afford low end of market rents. Over the same time period the private rental sector assistance programs cost the federal and provincial governments (two-thirds to the federal government) \$1,493,600,000 in foregone taxes, what are coming to be called tax expenditures, related to special programs to stimulate the supply of rental housing.* An additional \$1,250,000,000 was likely incurred for tax expenditures that rental housing owners are normally able to use whether or not special programs are in place, and \$191,600,000 was spent directly by Canada Mortgage and Housing Corporation on private rental housing assistance, for a grand total of \$2,934,600,000.

Yet the federal Consultation Paper on Housing makes no mention of them. The benefits of these expenditures in supplying housing for low and moderate income households were

*Arthur Anderson and Co., Federal and Provincial Government Expenditures to Assist and Promote Rental Housing in Canada, 1976 - 1982 (Toronto: 1984)

much less than was the case for the non-profit housing expenditures, and this accounting does not even include additional subsidies required to assist private market units in accommodating low income tenants on a rent-geared-to-income basis. Further, these units are not assured of remaining accessible to moderate income tenants, as is the case for non-profit housing. In addition, the total number of private sector rental units assisted was only slightly more than was the case for the non-profit programs but at about 1.5 times the total subsidy cost.

A Comment on Shelter Allowances

The slow pace at which the non-profit housing programs, along with other programs that supply rental housing, satisfies the urgent need for housing assistance, combined with the cost of satisfying that need, is of major concern to government planners responsible for housing. This quite legitimate concern has led to the search for quick solutions. The quick solution currently enjoying greatest popularity is the notion of income- and market-tested shelter allowances.

Shelter allowances involve a direct cash payment to eligible households which is portable and transferrable from one dwelling to another. The arguments in favour of shelter allowances rest on the following premises: 1) they can be easily targetted to households in need; 2) they maximize choice since subsidies go to individual households, not dwelling units; 3) they achieve greater horizontal equity as assistance is provided

to all eligible households on an equal basis and not just to the lucky few as often appears to be the case with other housing programs; and 4) they permit low-income households to participate more effectively as consumers in the private market, reducing the need for direct government intervention in housing supply.*

There are currently four shelter allowance programs operating in Canada: British Columbia; New Brunswick; Manitoba, and Quebec. All except Manitoba are designed to assist senior citizens aged 65 years and over. The Manitoba program is aimed at both families with children and older persons aged 55 years and over. All programs have income eligibility limits derived from base rents, with subsidies available to cover between 50 and 100 per cent of rental costs over a certain per cent of gross income, either 25 or 30 per cent.

The position of shelter allowance advocates has recently been boosted by a report published by the Canadian Home Builders' Association (CHBA).** In their report, the author proposes to provide housing allowances to low-income households. The proposed cost is about \$300 million (\$1984) for a national program.

*D. Hulchanski, Shelter Allowances and Canadian Housing Policy: A Review and Evaluation (Toronto: University of Toronto, Centre for Urban and Community Studies, 1984).

**Marion Steele, Housing Allowances: An Assessment of the Proposal for a National Program for Canada (Toronto: Canadian Home Builders' Association, 1985).

The proposal endorsed in that report is an attractive one. Its proposed cost makes it seem affordable, and the fact that the author makes it clear that she does not think that shelter allowances can replace housing supply programs even makes the proposal attractive to organizations such as the Social Planning Council that are concerned both with the supply of affordable housing and providing assistance to those who need it. However, we think that there are better alternatives for providing assistance to those who need it, alternatives that would not require the establishment of a new assistance program and the cost that that entails and alternatives that would not require the negotiation of a whole new set of federal-provincial arrangements.

Our detailed comments on the latest shelter allowance proposal by the CHBA are contained in Appendix 'C'. Our primary conclusion is that the majority of households that would qualify for the proposed program may already receive government assistance. Most of the elderly households that would qualify are currently receiving the federal Guaranteed Income Supplement (GIS) and the Ontario Guaranteed Annual Income Supplement (GAINS). Many of the non-elderly families with children that would qualify are receiving municipal or provincial welfare payments, and the best way to increase the incomes of those already in receipt of welfare payments on a long-term basis is to increase the shelter component of welfare payments. Ontario, for instance, on a national basis ranks between 7th and 10th in the size of social assistance payments to families, and rents in its

urban areas are amongst the highest in Canada. Those families with children not currently in receipt of welfare payments would probably be served just as well by changes in the federal child benefit system, and we would urge the federal government to consider further changes in this area.

The Link With Rent Deregulation

One very disturbing aspect of advocating the implementation of a shelter allowance program on the part of private home and apartment builders is that shelter allowances are often linked with the deregulation of rents. Linking the implementation of a national shelter allowance program to a gradual rent deregulation scheme makes little or no sense as public policy on either social or economic grounds. Rent regulation represents a potentially important tool in ensuring rent stability and effective cost control after the introduction of a shelter allowance program. As indicated above, many real estate analysts are of the opinion that a 25 per cent real increase in rents would be required to make it possible for rental development to become economically viable again without massive market assistance by governments.

From a public policy viewpoint, the costs implied by such a massive transfer of income from tenants to landlords would be considerable. A 25 per cent real increase in prevailing market rents would mean a transfer of income from renting households to owners of rental property of between \$1 billion and

\$1.25 billion annually in Ontario alone (perhaps as much as \$3 billion on a Canada-wide basis) and an increase in the proportion of households experiencing affordability problems of at least 25 to 50 per cent, with a somewhat larger increase in the average depth of need facing those households.

Conclusions and Recommendations

1. The Social Planning Council of Metropolitan Toronto unequivocally supports the continued provision of non-profit housing as the major program vehicle for meeting the need for housing assistance in Metropolitan Toronto and as part of a program to meet the need for moderately-priced rental housing in Metropolitan Toronto. This program meets social criteria acceptable to this Council, and the program has proven to be the only dependable vehicle for supplying moderately-priced rental housing on a long-term basis.
2. We urge the Canada Mortgage & Housing Corporation and the federal government to continue to explore alternative financing arrangements for non-profit housing that will reduce the per unit cost of the program. Alternative solutions could include separating market assistance subsidies to reduce rents to levels affordable by moderate income tenants from deeper subsidies for low-income tenants under existing rent-geared-to-income programs, in which case subsidy costs are shared on a 50-50 basis between the federal and provincial governments, Price Level Adjusted

Mortgages (PLAMS), as well as debenture-backed mortgages for housing developed by municipal corporations. In addition, a reorientation of the programs toward rehabilitation and the acquisition of existing units shows promise of substantial cost savings. Used in combination, these alternatives could potentially reduce the long-term cost of providing non-profit housing by at least 30 per cent.*

3. We urge the Canada Mortgage & Housing Corporation to revise its guidelines for eligibility for rent-geared-to-income assistance to make non-elderly single persons eligible for assistance. The survey of need for housing assistance carried out by the Metropolitan Planning Department in 1982 found that 40 per cent of the households in need were single persons under age 65. We of course have also urged the Ontario government, which shares the costs of these programs, to make similar revisions in its rules and regulations.
4. The Social Planning Council of Metropolitan Toronto does not support any of the limited shelter allowance proposals currently being considered by the federal government. Given the limited nature of these proposals we feel that existing social assistance programs, the costs of which are shared by federal and provincial governments under the Canada Assistance Plan, and income supplementation programs for the

*The potential cost savings are discussed in greater detail in pages 13 and 14 of this submission.

elderly can accommodate assistance of the magnitude being proposed.

5. We urge the federal government to maintain in place programs and program funding levels that will satisfy the needs of Metropolitan Toronto. Recommendations outlining these needs made by the Social Planning Council to the Council of Metropolitan Toronto in 1984 are summarized below.

Recommendations to Council of Metropolitan Toronto

- A) That the two senior levels of government authorize the production of 4,500 rent-geared-to-income units annually, 1,200 for seniors and 3,300 for non-seniors for a period of 15 years. While this is considerably more than the average of 1,000 per year in the 1980 - 1983 period, it is nevertheless not significantly more than the over 3,000 units per year that were produced in the 1964 - 1974 decade;
- B) That the Council of Metropolitan Toronto prescribe an assisted housing target of 4,500 units per year for the next fifteen (15) years, with 1,200 units for seniors and 3,300 units for non-seniors. Meeting this target will require much greater use of currently developed sites and existing housing than has been the case in the past;

- C) That assisted housing targets for the six individual area municipalities be established in proportion to the preferences expressed in the survey of housing need. The City of Toronto was the preferred choice of 41 per cent of respondents, followed by North York at 22 per cent, Scarborough and Etobicoke with 15 per cent each, East York with 5 per cent and York 3 per cent;
- D) That the C.M.H.C. and the Ontario Ministry of Municipal Affairs and Housing be requested to increase the effectiveness of the existing social housing programs, specifically, the municipal non-profit, private non-profit and co-operative housing programs by the following modifications:
- (i) relax the current restriction of 25 per cent R.G.I. units in the family buildings to permit up to 50 per cent of units in municipal non-profit buildings, and in co-operative and private non-profit projects using O.C.H.A.P. assistance, to be rented to tenants on a rent-geared-to-income basis;*
 - (ii) revise the current method of determining low end of market rent to ensure that non-profit and co-operative housing remains affordable to moderate

*It is anticipated that the ratio would vary between 25 and 50 per cent depending on the size of the project, the household mix and the location involved.

income households and that rental increases are based on increases in operating costs;

(iii) permit non-profit and co-operative housing organizations as a matter of policy to develop projects through acquisition and renovation;

(iv) encourage the provision of a minimum of 50 per cent R.G.I. units in senior private non-profit and co-operative projects, and consider increasing the permitted level of subsidized units above that proportion;

(v) separate the rent reduction assistance targeted to moderate income households, the subsidy required during the first few years of a project's life to bridge the gap between economic and market rents, from the rent-geared-to-income assistance targeted to low-income households;

E) That the provincial and municipal governments establish a new program of grants and/or non-interest bearing loans to assist in the rehabilitation of inadequate rental dwellings, given that over 35,000 households in Metropolitan Toronto were determined to be in need of housing assistance solely as a result of the inadequate condition of their dwelling;

- F) That the Metropolitan Planning Department, together with the local area municipalities, review the opportunities for providing additional small rental units in existing housing and changes in zoning and planning by-laws that would be required to realize those opportunities, given that nearly 25,000 non-senior singles and couples without children are in need of housing assistance;
- G) That 11,500 (750 per year) of the overall assisted housing target be designated for providing permanent, long-term housing for homeless and low-income single persons; and
- H) That the shelter allowance associated with provincial and municipal social assistance payments be increased to a level that will enable households in receipt of social assistance to have the choice of living in dwellings available on the private market or in housing owned by public, non-profit and co-operative organizations.*

*Approximately 10,000 households whose primary source of income is social assistance live in dwellings in the private rental market, and require additional housing assistance.

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APPENDIX A

Meeting the Need for Assisted Housing in Metropolitan Toronto

The New Housing Agenda report identified 95,000 tenant households with an affordability problem, of which at least 70,000 have a need for some form of rent-geared-to-income housing. If one accepts fifteen years as a reasonable planning horizon over which to address this need, that translates into an annual production target of 4,500 rent-geared-to-income units. In determining how this need can most effectively be met, three broad considerations must be addressed: 1) the provider and program delivery instruments to be employed; 2) the distribution of units/mix of incomes to be served; and 3) the balance to be achieved among new construction, direct acquisition and/or renovation and rehabilitation of the existing stock.

The specific proposals which follow have been developed with reference to the stated intentions of existing housing producers in Metropolitan Toronto, suggestions for improvements in the existing non-profit programs, as well as our assessment of the balance which needs to be achieved between new construction on the one hand, and either renovation/rehabilitation or direct acquisition on the other.

In framing these suggestions, the following assumptions and parameters were used:

1. That rental units built under the various social housing programs will account for about 75 per cent of all new rental construction in Metropolitan Toronto during the next fifteen years.
2. That given the magnitude of need and projections of new rental housing demand, as well as the relative costs of acquisition/rehabilitation vs. new construction, that renovation/rehabilitation and direct acquisition of existing units will play a significant role in meeting assisted housing targets.
3. That the mixed-income non-profit programs will continue as the single most important element among social housing programs.
4. That single persons and childless couples between 50 and 60 years of age be permitted to live in seniors housing projects.
5. That changes to the mixed-income non-profit programs can effectively deliver a 50 per cent increase in allocations at about the same dollar cost through the implementation of a co-ordinated package of program improvements designed to augment cost-effectiveness.

Mixed Income Non-Profit and Co-operative Housing

The proposal calls for an allocation of 7,500 units of which 3,000 (40 per cent) would receive deep subsidies and up to an additional 2,625 (or 35 per cent) would be eligible for shallow subsidies. If, based on relative need, Metro Toronto were to receive between 13 and 14 per cent of the national allocation, this proposal would necessitate more than a 100 per cent increase in federal allocations over the average level of commitments for the five-year period ending in 1983 from 25,000 to roughly 55,000, with Metro's full allocation being directed to the non-profit programs.

This proposal calls for two-thirds of the unit allocation to be directed toward the acquisition and rehabilita-

tion of existing units on the private market. Further, some units might be developed through joint venture initiatives between private sector interests and non-profit groups. Finally, a small proportion of these units could be provided under various provincially-initiated programs such as Add-a-unit and Convert-to-Rent, designed to increase the intensification of residential areas.

This proposal makes no assumptions about capital funding either in terms of mortgage instruments or federal/provincial cost-sharing arrangements. However, a co-ordinated package of program improvements could be implemented that would reduce subsidy costs/unit by at least one-third. Coupled with a more equitable sharing of costs between the two senior levels of government, it may be possible to more than double non-profit allocations with little or no increase in the level of newly committed federal outlays.

100 Per Cent Rent-Geared-to-Income Housing

The proposal also includes an allocation of 1,500 units of 100 per cent rent-geared-to-income housing, comprised of 1000 seniors units, and 500 units for low-income single persons.

The allocation of 1,000 units of 100 per cent rent-geared-to-income housing for seniors is consistent with the yearly capability identified in the Metropolitan Toronto Assisted Housing Study: Part 2. This proposal is premised on

Table One
MEETING THE NEED FOR
AFFORDABLE HOUSING IN METROPOLITAN TORONTO

	R.G.I. Units	Low End of Market Units		Total Units
	Deep Subsidy	Shallow Subsidy	Market Rent	
<u>1. By Mix of Income/ Type of Construction</u>				
<u>Mixed Income Non-profit and Co-operative Housing</u>				
New Construction	1,000	875	625	2,500
Renovation/Rehab.	2,000	1,750	1,250	5,000
Total	3,000	2,625	1,875	7,500
<u>100 Per Cent Rent- Geared-to-Income Housing</u>				
New Construction	1,100	-	-	1,100
Renovation/Rehab.	400	-	-	400
Total	1,500	-	-	1,500
<u>Total Social-Housing</u>				
New Construction	2,100	875	625	3,600
Renovation/Rehab.	2,400	1,750	1,250	5,400
Total	4,500	2,625	1,875	9,000
<u>2. By Target Groups</u>				
Singles (Under 50)	800	700	375	1,875
Families	2,300	1,125	1,025	4,450
Seniors (Over 50)	1,300	800	475	2,575
Supportive Housing	100	-	-	100
TOTAL	4,500	2,625	1,875	9,000

construction by the Metropolitan Toronto Housing Company Ltd. (MTHC) being financed by municipal debentures thereby not reducing the allocations available to the mixed-income non-profit projects. The proposed allocation of 500 units/year for housing low-income single persons is consistent with the stated intentions of MTHC regarding its first year target. Present MTHC plans call for 5,000 units to be built over a 5-year period.

Taken together, these proposals would add 9,000 units/year to the stock of low and moderately-priced rental accommodation. Applied over a fifteen-year time period this translates into 135,000 units nearly 80 per cent of which would be eligible for at least shallow subsidies.

The 135,000 units would include 54,000 newly-constructed units and 81,000 existing units either acquired directly or renovated and rehabilitated in some way. In re-orienting social housing programs toward a greater utilization of the existing rental stock, the following considerations should be taken into account:

1. priority should be given to the acquisition of rental apartments in reasonable condition with below-average rents which are facing the threat of demolition or conversion to other uses;
2. renovation and rehabilitation efforts should be directed, in part, toward the creation of smaller one and two-bedroom units in large single family homes as well as the retention of rooming and boarding accommodation;
3. renovation of existing housing should also seek to expand the number of three and four-bedroom units available for families facing affordability problems;

4. efforts generally should be directed toward options which facilitate more intensive use of existing residential accommodation.

APPENDIX B

ESTIMATES OF 1984 INCOMES - MEDIAN AND UPPER LIMITS OF LOWEST AND SECOND INCOME QUINTILES -- FOR USE IN PUBLIC DECISION-MAKING

	CANADA		TORONTO CMA	
	ALL \$	RENTERS \$	ALL \$	RENTERS \$
MEDIAN HOUSEHOLD INCOME				
1 Person Households	13,033	13,302	16,923	16,566
2 " "	26,562	20,973	31,336	24,737
3 " "	33,234	26,235	39,209	30,952
4 " "	36,391	28,727	42,993	33,939
FIRST (LOWEST) QUINTILE THRESHOLD				
1 Person Households	6,527	6,413	7,722	7,592
2 " "	13,248	10,458	15,629	12,338
3 " "	19,114	15,089	22,550	17,801
4 " "	22,775	17,979	26,907	21,240
2ND QUINTILE THRESHOLD				
1 Person Households	9,607	9,956	13,293	13,110
2 " "	21,800	17,209	25,718	20,302
3 " "	28,508	22,504	33,633	26,550
4 " "	32,256	25,463	39,289	31,015
MEDIAN ECONOMIC FAMILY INCOME	32,551	24,690	38,402	29,128
MEDIAN HOUSEHOLD INCOME	28,823	21,194	34,039	25,029

APPENDIX C

The Viability of a National Shelter Allowance Program

In recent years, shelter allowances have been advocated by various private sector interests, often in conjunction with the phasing out of provincial rent review legislation, as an essential part of any strategy to enable the private sector to increase its role in supplying rental housing without massive government assistance.

This appendix presents an overview of our analysis of the most recent shelter allowance proposals by the CHBA, the viability of which was analyzed for them by economist Marion Steele. The Steele report analyzes the cost of a proposed national program employing an affordability criterion of 30 per cent or more of gross income. The program would cover 75 per cent of the difference between actual rent payments and an affordable rent for that household up to a threshold approximating the median rent for a suitable apartment unit in the market area for that unit.

It represents the most recent effort in a continuing attempt by private sector interests to develop a national shelter allowance plan within what are perceived to be politically acceptable cost parameters. The report projects that costs for a national shelter allowance program, operating within specified parameters, would be \$299 million in 1984. This is only a fraction of the costs anticipated by previous estimates which

range from \$700 million to \$4 billion. At first glance the proposed program looks like a bargain, but upon more careful examination a number of serious flaws and limitations appear.

Weaknesses in the Analysis

In costing out the program, the report relies on market rent data for April 1982 and income data for 1981 which is then projected to 1984 and 1983 respectively. By Steele's own analysis, rents have increased faster than inflation, while renters incomes have lagged behind inflation during this period. The report projects an increase of 19 per cent between 1982 and 1984 in the average payment/household - more than 50 per cent above the rate of inflation. Yet, the analysis projects little or no growth in participating households over time.

Although the report draws heavily upon the cost characteristics of the more limited provincial shelter allowance programs to make its case, the data presented in part contradicts its argument. In spite of the fact that threshold rents were not indexed in any of the four provinces between 1981/82 and 1983/84, expenditures per household grew 38 per cent in Manitoba and 28 per cent in British Columbia. For the four provinces as a whole, the increase was 24 per cent.

The report uses the data base available through the survey of Household Income, Facilities and Equipment (HIFE), rather than the 1981 Census of Canada. Even with adjustments to

provide greater comparability, the HIFE survey produces estimates of renting households with affordability problems which are about 200,000 below the level estimated by the Census using either the 25 or 30 per cent of gross income criterion. Further, the HIFE data produces core need estimates which appear to significantly understate the affordability problems faced by families with children.*

A Profile of Beneficiaries

While a 30 per cent of gross income criterion may be acceptable for one-person households as an affordability benchmark, our own research indicates that 20 or 25 per cent represents a more reasonable affordability criterion for most families. Steele herself makes this admission in presenting her analysis. A 30 per cent of gross income criterion related to families would leave many such households with inadequate disposable incomes to cover the costs of other basic needs.**

The rent threshold levels contained in Table 1 are derived from the 1982 threshold rents for Ontario used in the Steele study indexed to 1984 on the basis of changes in the rental component of the CPI for Metropolitan Toronto. Less than

*A 1982 survey of core housing need in Metropolitan Toronto found 75,000 renting households in need, slightly more than two-thirds of which were family households, and nearly half of which had children. Families with children make up only 28 per cent of program participants in the Steele analysis.

**Social Planning Council of Metropolitan Toronto, Guides for Family Budgeting (1985).

one in three private rental units within the Toronto housing market were renting at or below these levels in 1984. An upward adjustment of between 10 and 15 per cent in threshold rents would be necessary to bring them up to median rent levels for Metropolitan Toronto.

Coupled with the 30 per cent of gross income and suitability criteria, the parameters of the proposed program exclude many working poor families. They already exclude all moderate income tenants, as Table 1 illustrates.

Table 1

ELIGIBILITY FOR RECEIVING ASSISTANCE
IN METROPOLITAN TORONTO, 1984

House- hold Size	Rent Threshold	Income Threshold for Receiving Assistance	Poverty Level Income
1	285 - 330	\$11,400 - \$13,200	\$9,900
2	330 - 385	\$13,200 - \$15,400	\$13,050
3	385	\$15,400	\$17,450
4	385	\$15,400	\$20,100
5	455	\$18,200	\$23,400

The proposal anticipates that 40 per cent of eligible households would not participate. Even many families living below the poverty line would receive no assistance whatsoever. This represents a serious limitation on the program as proposed. It excludes many households with a clear need for assistance, while often restricting the assistance available to those

households which do qualilfy to a small fraction of what is needed.

A Housing or Welfare Program?

The proposed program is of such limited scope and so narrowly targetted that it might more appropriately be thought of as a welfare program rather than a housing program. As such its costs should be funded under the Canada Assistance Plan rather than as a shelter allowance. For seniors the need for housing assistance might be funded under existing federal and provincial guaranteed income plans.

This approach may have some merit. Any mix of housing programs designed to increase the supply of affordable housing for low and moderate income tenants would need to be implemented over an extended time frame. The permanent stock of assisted, or rent-gearred-to-income, housing increases only marginally each year. An income-tested shelter subsidy program directed primarily toward welfare recipients and the elderly could partially address the most severe affordability problems on an interim basis until supply programs can address this need more adequately over the longer term.

In putting in place such a program, the federal government should look toward implementing those changes in the pension system recommended by the Parliamentary Task Force on Pension Reform which have not yet been fully implemented. It might also

enter into consultation with the provinces around the conversion of all or part of existing property tax credits toward a shelter allowance program.

Future Costs Would Escalate

Even the limited shelter allowance program outlined by Steele would cost considerably more than the \$299 million cost estimate. First, it significantly under-represents the number of family households with a core housing need. This is partly a function of relying on the HIFE data base but also due to the inappropriate use of a 30 per cent of gross income criterion for families rather than 25 per cent. Second, in projecting the incidence of core need from 1982 to 1984, the proposal fails to make an adequate adjustment for the fact that tenant incomes declined 6 to 10 per cent relative to rents over this time period.

Incorporating these adjustments could raise the cost of the proposed program in 1985 from about \$317 million to between \$500 and \$600 million. Assuming the retention of rent regulation by the provinces, but no significant program to increase the permanent stock of rent-geared-to-income housing, the costs would escalate to at least \$1.25 billion by the turn of the century.